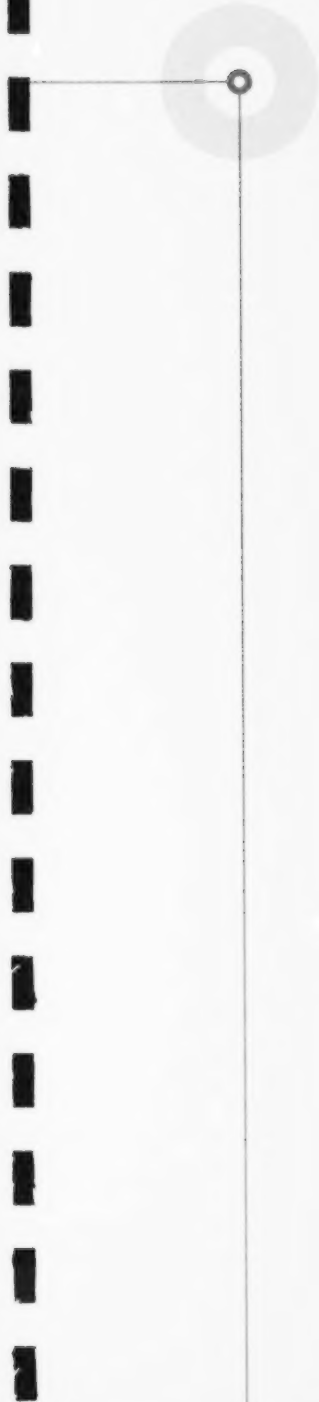




First Quarter Report

• • •

For the three months
ended March 31, 2007

People and Innovation
... powering Saskatchewan
to a bright future

 **SaskPower**

SASKPOWER GENERATION AND HIGH VOLTAGE TRANSMISSION MAP

Generation (net capacity)

Hydroelectric

- ① Athabasca Hydroelectric System - 23 MW
 - Wellington (5 MW)
 - Waterloo (8 MW)
 - Chariot River (10 MW)
- ② Island Falls Hydroelectric Station - 102 MW
- ④ E. B. Campbell Hydroelectric Station - 288 MW
- ⑤ Nipawin Hydroelectric Station - 255 MW
- ⑩ Coteau Creek Hydroelectric Station - 186 MW

Natural Gas

- ③ Meadow Lake Power Station - 44 MW
- ⑦ Landis Power Station - 79 MW
- ⑧ Queen Elizabeth Power Station - 385 MW
- ⑪ Success Power Station - 30 MW

Wind

- ⑫ Centennial Wind Power Facility - 150 MW
- ⑭ Cypress Wind Power Facility - 11 MW

Coal

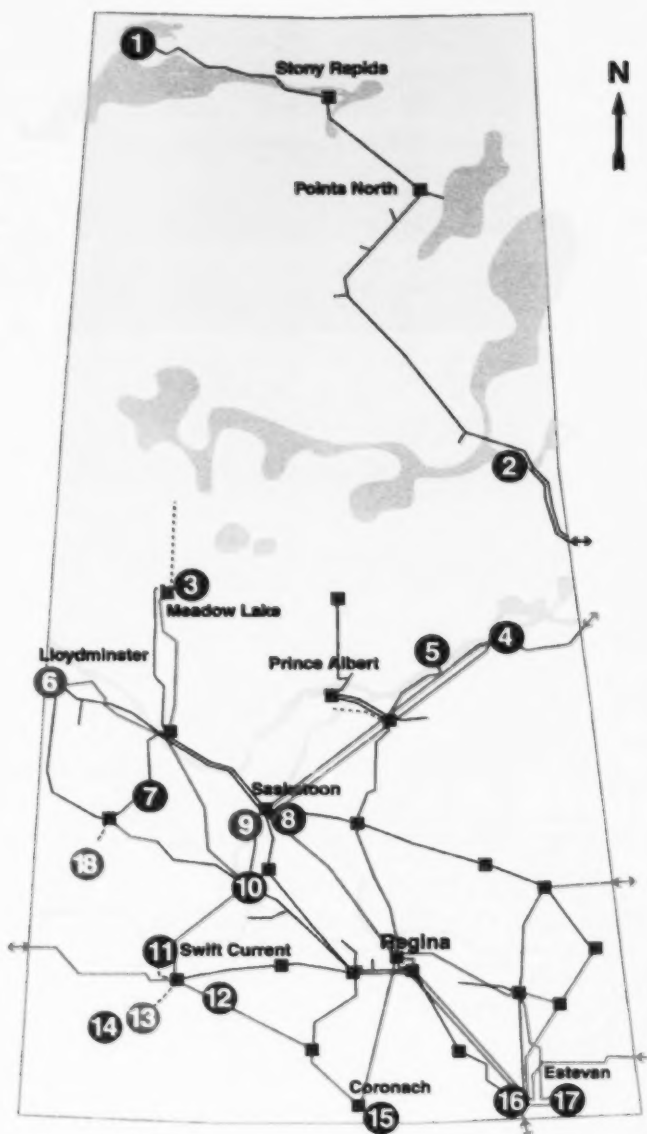
- ⑮ Poplar River Power Station - 572 MW
- ⑯ Boundary Dam Power Station - 813 MW
- ⑰ Shand Power Station - 276 MW

Independent Power Producer

- ⑥ Meridian Cogeneration Station - 210 MW
- ⑨ Cory Cogeneration Station - 228 MW
- ⑬ SunBridge Wind Power Project - 11 MW
- ⑱ NRGreen Kerrobert Heat Recovery Project - 5 MW

Transmission

- 230 kV
- 138 kV
- - - - - 138 kV line operating at 72 kV
- Switching Station
- ↔ ↔ Interconnection



About us: Our company operates three coal-fired power stations, seven hydroelectric stations, four natural gas stations and two wind facilities with an aggregate generating capacity of 3,214 megawatts (MW). SaskPower also has power purchase agreements with the Meridian Cogeneration Station, Cory Cogeneration Station, SunBridge Wind Power Project and NRGreen Kerrobert Heat Recovery Project. Total available capacity is 3,668 MW. SaskPower maintains more than 155,000 kilometres of power lines.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower; the Corporation). It should be read in conjunction with the SaskPower unaudited interim consolidated financial statements and supporting notes for the three months ended March 31, 2007. These interim financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) section 1751, "Interim Financial Statements." The SaskPower Audit and Finance Committee of the Board of Directors has approved the interim financial statements.

The MD&A contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated.

Profile

SaskPower is the principal supplier of electricity in Saskatchewan and its vision is: "People and innovation . . . powering Saskatchewan to a bright future." The Corporation traces its origins to the Saskatchewan Power Commission that was founded in 1929. In 1949, SaskPower was incorporated as a provincial Crown corporation under the authority and mandate of *The Power Corporation Act*. While this act has had a number of modifications over its lifetime, SaskPower's mission – to deliver power in a safe, reliable and sustainable manner – has not fundamentally changed.

SaskPower's aggregate generating capacity is 3,668 megawatts (MW). This includes the 3,214 MW capacity of SaskPower's facilities – three coal-fired stations, seven hydro stations, four natural gas stations and two wind facilities – and 454 MW of contracted capacity. SaskPower maintains more than 155,000 kilometres of power lines, 52 high voltage switching stations and 174 distribution substations.

SaskPower serves more than 446,000 customers and manages over \$4.4 billion in assets. The Corporation has over 2,400 permanent full-time employees located in 71 communities. SaskPower also operates three wholly-owned subsidiaries – SaskPower International, NorthPoint Energy Solutions and SaskPower Shand Greenhouse. The financial activities of SaskPower's subsidiaries are consolidated within the financial statements of the Corporation in accordance with Canadian generally accepted accounting principles.

FINANCIAL HIGHLIGHTS AND OPERATING STATISTICS			
Financial Highlights			
		Three months ended March 31	
(in millions)	2007	2006	Change
Revenue	\$ 371	\$ 337	\$ 34
Net income	43	46	(3)
Dividends	22	17	5
Capital expenditures	49	45	4
Long-term debt	2,296	2,514	(218)
Operating Statistics			
		Three months ended March 31	
	2007	2006	Change
Saskatchewan sales (GWh)	4,719	4,459	260
Exports (GWh)	145	119	26
Electricity trading (GWh)	447	372	75
Total electric sales (GWh)	5,311	4,950	361
Generating capacity (net MW)	3,668	3,655	13
Peak load (net MW)	2,969	2,838	131
Customers	446,052	441,227	4,825

Financial Results

Net income in the first quarter of 2007 was \$43 million, down \$3 million from the first quarter of 2006. The \$3 million decrease in net income was the result of a \$37 million increase in expense offset by a \$34 million improvement in revenue.

Total expenses increased \$37 million largely due to a \$23 million increase in operating, maintenance and administration expenses as a result of rising costs for salaries and benefits; additional pension expense; and costs related to the clean coal feasibility study. There was also a \$6 million increase in depreciation expense due to a higher asset base and changes in depreciation rates. Fuel and purchased power costs increased \$3 million due to an unfavourable change in the fuel mix and higher generation volumes partially offset by lower natural gas prices.

Included in the above expenses were \$12 million in non-cash market value net gains on the Corporation's natural gas hedges (fuel and purchased power) and \$1 million in non-cash market value losses on debt retirement funds (finance charges) in the first quarter of 2007. These amounts were recorded in accordance with the new CICA financial instrument standards which were adopted on January 1, 2007.

The \$34 million improvement in revenue was largely attributable to a \$26 million increase in Saskatchewan sales, primarily due to higher electric sales volumes and the impact of the 4.3% system-wide average rate increase implemented on February 1, 2007.

Revenue

Saskatchewan sales

(in millions)	Three months ended March 31		
	2007	2006	Change
Saskatchewan sales	\$ 353	\$ 327	\$ 26

Revenue from Saskatchewan electric sales was \$353 million in the first quarter of 2007, up \$26 million from the same period in 2006. The rise in Saskatchewan sales revenue was due largely to the increase in electric sales volumes. Electric sales volumes in the province are driven by general economic conditions, number of customers and weather. In the first quarter of 2007, electric sales volumes to Saskatchewan customers were 4,719 gigawatt hours (GWh), up 260 GWh from the first three months of 2006.

Also contributing to the improvement in revenue was the 4.3% system-wide average rate increase that came into effect February 1, 2007. The rate increase provided approximately \$9 million in incremental revenue. Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel with final approval by Cabinet.

Export sales

(in millions)	Three months ended March 31		
	2007	2006	Change
Export sales	\$ 9	\$ 6	\$ 3

Export sales include the sale of SaskPower's surplus generation to other regions in Canada and the United States. Export pricing is not subject to the rate review process and is priced by the external market. Export sales volumes are dependent on surplus SaskPower generation, market conditions in other jurisdictions and transmission availability.

Export sales increased from \$6 million in the first three months of 2006 to \$9 million in the first three months of 2007. This increase is primarily due to a higher average export sales price coupled with slightly higher sales volumes. The average export sales price increased \$9 per megawatt hour (MWh) to \$65/MWh in the first quarter of 2007. Export sales volumes increased 26 GWh during the first three months of 2007 compared to the first three months of 2006.

Electricity trading

<i>(in millions)</i>	Three months ended March 31		
	2007	2006	Change
Electricity trading revenue	\$ 29	\$ 26	\$ 3
Electricity trading costs	29	26	3
Net sales from electricity trading	\$ -	\$ -	\$ -

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint, include the purchase and resale of electricity and other electricity-related commodities and derivatives from regions outside of Saskatchewan.

Electricity trading revenues were \$29 million in the first quarter of 2007 compared to \$26 million in the first quarter of 2006. This increase was due to a 75 GWh rise in trading volumes largely as a result of NorthPoint entering into new markets in the first quarter of 2007, including the Pennsylvania, New Jersey & Maryland (PJM) interconnection market and the New York Independent System Operator (NYISO) market. The rise in sales volumes was offset by a decrease in the average sales price. The average sales price declined from \$67/MWh in the first three months of 2006 to \$64/MWh in the first three months of 2007.

While electricity trading revenues were up \$3 million, the gross margin, or net sales after deducting related fuel and purchased power costs, was nil in the first three months of 2007, which was consistent with the first three months of 2006. In 2007, the cost of ancillary services associated with the purchase of electricity was higher than expected, particularly in the Midwest Independent Transmission System Operator (MISO) market.

Other revenue

<i>(in millions)</i>	Three months ended March 31		
	2007	2006	Change
Other revenue	\$ 9	\$ 4	\$ 5

Other revenue rose from \$4 million in the first three months of 2006 to \$9 million in the first three months of 2007. The increase was primarily due to new revenues from the Centennial Wind Power Facility and an increase in equity investment income.

In the first quarter of 2007, other revenue included over \$1 million received from the Government of Canada as part of the wind power production incentive program. In addition, in the first quarter of 2006, \$2 million of earnings from operation of the Centennial Wind Power Facility prior to commissioning in March 2006, were deducted from other revenue and capitalized which served to offset the total cost of the asset.

Equity investment income from the MRM Cogeneration Station was \$2 million in the first quarter of 2007, up \$1 million from the first quarter of 2006.

Expense

Fuel and purchased power

(in millions)	Three months ended March 31		
	2007	2006	Change
Fuel and purchased power	\$ 123	\$ 120	\$ 3

SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, electricity purchased through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve the Corporation's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which have the lowest incremental cost per unit of generation. Hydro generation is dependent upon water levels at the Corporation's hydro facilities and coal generation is a product of the availability of the Corporation's coal plants. Wind generation, the lowest incremental cost source of electricity, cannot be dispatched on a planned basis as it is dependent upon wind conditions.

Total fuel and purchased power costs of \$123 million in the first quarter of 2007 were up \$3 million from the same period in 2006. The increase is due to a change in the fuel mix and an increase in generation volumes partially offset by a reduction in the price of natural gas and the unrealized market value net gain recorded on the natural gas hedges.

The fuel mix is the relative proportion that each fuel source contributes to SaskPower's total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal and wind, the more favourable the impact on fuel and purchased power costs. Hydro generation accounted for 18% of the total generation in the first quarter of 2007, compared to 22% in the first quarter of 2006. In total, hydro generation volumes decreased by 162 GWh in the first three months of 2007 compared to the same period in 2006. The reduction in hydro generation was partially offset by a 65 GWh increase in coal generation and 52 GWh of additional wind generation from the Centennial Wind Power Facility. The net shortfall in hydro, coal and wind generation was replaced with more expensive sources of electricity, such as natural gas-fired generation.

Adding to the unfavourable change in the fuel mix was an increase in the volumes of electricity generated and purchased. Total generation and purchased power in the first quarter of 2007 was 5,412 GWh, an increase of 265 GWh compared to the prior year. The increased generation was required to source additional sales to Saskatchewan customers.

These increases were partially offset by a reduction in the price of natural gas. The benchmark AECO C price of natural gas averaged \$7.07 per gigajoule (GJ) in the first three months of 2007 compared to \$8.79/GJ in the first three months of 2006. Natural gas is used to supply the Corporation's gas-fired plants and the Cory and Meridian Cogeneration facilities. In addition, the Corporation recorded an unrealized market value net gain of \$12 million on its natural gas hedges in the first quarter of 2007.

Operating, maintenance and administration

(in millions)	Three months ended March 31		
	2007	2006	Change
Operating, maintenance and administration	\$ 100	\$ 77	\$ 23

Operating, maintenance and administration expense was \$100 million in the first three months of 2007, compared to \$77 million in the first three months of 2006. This \$23 million increase was partially due to an increase in salaries and benefits as a result of general economic increases, additional staff hirings and job classification adjustments for certain members of the International Brotherhood of Electrical Workers (IBEW) union.

Pension expense related to the Corporation's defined benefit plan also increased due to additional costs related to a plan amendment that provides regular benefit increases equal to 70% of the increase in the Saskatchewan consumer price index.

In addition, in the first quarter of 2007, the Corporation incurred additional feasibility study costs related to the Clean Coal Project which was initiated in the first quarter of 2006.

Depreciation

(in millions)	Three months ended March 31		
	2007	2006	Change
Depreciation	\$ 54	\$ 48	\$ 6

Depreciation expense was \$54 million in the first quarter of 2007, compared to \$48 million in the first quarter of 2006. Approximately \$2 million of the rise in depreciation expense is attributable to an increase in depreciation rates on the Corporation's generation assets based on the results of a study performed in 2006. The results of the depreciation study have been applied prospectively beginning January 1, 2007. The remaining increase of \$4 million is due to an increase in the asset base as a result of ongoing capital expenditures and the commissioning of the Centennial Wind Power Facility in March 2006.

Finance charges

(in millions)	Three months ended March 31		
	2007	2006	Change
Finance charges	\$ 42	\$ 38	\$ 4

In the first quarter of 2007, finance charges were \$42 million, an increase of \$4 million compared to the first quarter of 2006. Included in finance charges for the first quarter of 2007 is \$1 million in non-cash market value losses on debt retirement funds. In addition, the amount of interest capitalized in 2007 decreased compared to 2006 as the Centennial Wind Power Facility was commissioned in March 2006. The effect of these increases in finance charges was partially offset by higher debt retirement fund earnings in the first three months of 2007 compared to the same period in 2006.

Taxes

(in millions)	Three months ended March 31		
	2007	2006	Change
Taxes	\$ 9	\$ 8	\$ 1

Capital tax, grants-in-lieu of taxes and other taxes were up \$1 million in the first three months of 2007 compared to the same period in 2006, due to an increase in Saskatchewan sales revenue and an increase in the capital tax base.

Financial Instrument Standards

Effective January 1, 2007, SaskPower adopted the new CICA Section 1530, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments – Recognition and Measurement", Section 3861, "Financial Instruments – Presentation and Disclosure, and Section 3865, "Hedges". These sections are collectively referred to as the financial instrument standards.

Other comprehensive income

The statement of comprehensive income and the statement of accumulated other comprehensive income are new financial statements resulting from the adoption of the above financial instrument standards. Other comprehensive income is a temporary location for certain unrealized gains and losses that have been recorded on the balance sheet but are not required to be reported in the income statement. All amounts reported in other comprehensive income will eventually be reclassified to net income.

SaskPower's accumulated other comprehensive income balance represents a transitional unrealized market loss on the Corporation's natural gas hedges effective December 30, 2006. The transitional loss is the result of the Corporation's decision to discontinue hedge accounting effective December 30, 2006, and from the adoption of the financial instrument standards.

In accordance with the new financial instrument standards, this transitional market loss is being reclassified from other comprehensive income to net income (fuel and purchased power) as the contracts mature. The reclassification is based on the December 30, 2006, market value and the settlement date of each natural gas hedge.

Income statement impact

The new financial instrument standards require the Corporation to measure certain financial instruments at fair value and record this on the Corporation's balance sheet. These financial instruments include the Corporation's natural gas hedges and debt retirement funds. The change in the market value (gain or loss) of the natural gas hedges and debt retirement funds are charged to fuel and purchased power and finance charges respectively.

The net impact to the income statement, in the first quarter of 2007, from recording the changes in the market value of the natural gas hedges and debt retirement funds and the reclassification of the transitional amount from the discontinuation of hedge accounting is as follows (in millions):

For the three months ended March 31, 2007

Financial instrument	Market value gain / (loss)
Natural gas hedges	\$ 16
Debt retirement funds	(1)
Market value adjustment	15
Natural gas hedges transitional market value losses reclassified to net income	(4)
Total adjustment to net income	\$ 11

The above are non-cash gains (losses) on changes in the market value of the underlying assets - natural gas hedges and debt retirement funds. These gains (losses) have not been realized and are subject to change based on fluctuations in the market value of the underlying assets.

Liquidity and Capital Resources

Cash position

	Three months ended March 31		
(in millions)	2007	2006	Change
Cash and cash equivalents	\$ 126	\$ 112	\$ 14

The Corporation's cash position was \$126 million as at March 31, 2007, up \$14 million from March 31, 2006. In addition, the cash position increased \$106 million from \$20 million as at December 31, 2006. The \$106 million increase was the result of \$64 million provided by operating activities and \$84 million provided by financing activities, offset by the \$42 million used in investing activities.

a) Operating activities

	Three months ended March 31		
(in millions)	2007	2006	Change
Operating cash flow	\$ 84	\$ 90	\$ (6)
Net change in non-cash working capital	(20)	(57)	37
Cash provided by operating activities	\$ 64	\$ 33	\$ 31

Cash provided by operating activities was up \$31 million in the first three months of 2007 compared to the first three months of 2006. The increase in operating cash flow was largely due to a decline in working capital requirements in 2007.

b) Investing activities

	Three months ended March 31		
(in millions)	2007	2006	Change
Generation	\$ 19	\$ 14	\$ 5
Transmission & Distribution	25	29	(4)
Other	5	2	3
Total capital expenditures	\$ 49	\$ 45	\$ 4
Customer contributions and net cost of removals	(3)	(2)	(1)
Equity investment distribution	(4)	-	(4)
Cash used in investing activities	\$ 42	\$ 43	\$ (1)

SaskPower invested \$49 million in the first three months of 2007 on various capital projects. This includes \$3 million spent on Unit #3 turbine generator refurbishment at the Boundary Dam Power Station; \$6 million to extend the life of Unit #1 at the Poplar River Power Station; and \$14 million to connect customers to the SaskPower electric system. Overall, capital spending is up slightly from the same period in 2006.

c) **Financing activities**

(in millions)	Three months ended March 31		
	2007	2006	Change
Cash provided by financing activities	\$ 84	\$ 57	\$ 27

In the first quarter of 2007, \$84 million of cash was provided by financing activities compared to \$57 million in the first quarter of 2006. The change is largely due to fewer debt repayments and lower dividends paid to CIC in 2007.

Long-term debt

The following table illustrates the total change in the Corporation's long-term debt since December 31, 2006:

(in millions)	March 31		
	2007	2006	Change
As at			
Gross long-term debt	\$ 2,614	\$ 2,515	\$ 99
Unamortized debt premiums net of issue costs	16	-	16
Less: current portion of long-term debt	(334)	(66)	(268)
Total long-term debt	2,296	2,449	(153)
Less: debt retirement funds	(217)	(201)	(16)
Long-term debt, net of debt retirement funds	\$ 2,079	\$ 2,248	\$ (169)
Per cent debt ratio¹	60.6%	61.0%	(0.4%)

¹ Per cent debt ratio = (debt) / (debt + equity), where debt = (long-term + current portion of long-term debt – cash and cash equivalents – debt retirement funds) and where equity = (equity advances + retained earnings).

SaskPower's gross long-term debt position was \$2,614 million at March 31, 2007, up \$99 million from December 31, 2006. The increase in gross debt was the result of the following:

- The Corporation, through the Saskatchewan Department of Finance (General Revenue Fund), borrowed an additional \$100 million of long-term debt at an interest rate of 4.75% and a maturity date of June 1, 2040.
- Through its subsidiary, SaskPower International, the Corporation repaid \$1 million of non-recourse debt.

The carrying amount of the long-term debt on the balance sheet has been restated to include \$16 million of unamortized debt premiums net of issue costs upon the adoption of the new CICA financial instrument standards on January 1, 2007. The current portion of long-term debt of \$334 million at March 31, 2007 includes an additional \$268 million of debt which is due in the first quarter of 2008.

In addition, the debt retirement funds have increased \$16 million to \$217 million at March 31, 2007, as the result of installments and earnings offset by changes in the market value.

The Corporation's per cent debt ratio has decreased slightly from 61.0% at the end of 2006 to 60.6% as at March 31, 2007. Despite the additional borrowings in the quarter, the per cent debt ratio declined due to an increase in equity and cash and cash equivalents.

Outlook

Forecasted earnings for 2007 are expected to be \$127 million, a \$34 million increase in net income from 2006. The projected improvement in earnings is due to an expected increase in revenue, offset by an increase in all cost categories.

Saskatchewan sales revenue is expected to increase due to the effect of the 4.3% rate increase implemented on February 1, 2007. The rate increase is expected to provide SaskPower with approximately \$50 million of additional revenue in 2007. Exports are also expected to increase with a corresponding improvement in the coal fleet availability.

Fuel and purchased power costs are expected to be up in 2007 compared to 2006 due to an increase in the total generation volumes to source additional sales to Saskatchewan customers and exports. In addition, there is expected to be an unfavourable change in the fuel mix due to an anticipated reduction in hydro levels. The lost hydro generation is expected to be replaced with more expensive sources of electricity, such as cogeneration and natural gas. Operating, maintenance and administration expense is also expected to be higher due largely to salary and benefit increases as a result of collective bargaining settlements. Depreciation and finance charges are also expected to climb as the result of the growing asset base and new borrowings respectively.

These earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro generation availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Total capital expenditures for 2007 are expected to be \$453 million. This includes costs to refurbish Poplar River Power Station Unit #1, upgrade various transformers and transmission lines, and connect new customers to SaskPower's grid. It also includes \$135 million of estimated costs for the start of construction of a new generating facility late in 2007. However, a decision regarding this new facility is not expected until mid 2007.

Consolidated Statement of Income and Retained Earnings

(in millions)	(Unaudited) Three months ended March 31	
	2007	2006
Revenue		
Electric sales		
Saskatchewan	\$ 353	\$ 327
Export	9	6
Net sales from electricity trading (Note 4)	-	-
Other	9	4
Total revenue	371	337
Expense		
Fuel and purchased power (Note 5)	123	120
Operating, maintenance and administration	100	77
Depreciation	54	48
Finance charges (Note 6)	42	38
Taxes	9	8
Total expense	328	291
Net income	43	46
Retained earnings, beginning of period	808	776
Change in accounting policy (Note 3)	2	-
Dividends	(22)	(17)
Retained earnings, end of period	\$ 831	\$ 805

Consolidated Statement of Financial Position
(in millions)

As at	(Unaudited) March 31 2007	(Audited *) December 31 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 126	\$ 20
Accounts receivable and unbilled revenue	182	186
Inventory	133	139
Derivative financial instruments asset	13	9
	454	354
Property, plant and equipment		
Property, plant and equipment	6,528	6,487
Less: accumulated depreciation	2,939	2,887
	3,589	3,600
Construction in progress	98	95
	3,687	3,695
Debt retirement funds	217	201
Other assets	95	114
Total assets	\$ 4,453	\$ 4,364
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 157	\$ 160
Accrued interest	28	55
Derivative financial instruments liability	9	21
Current portion of long-term debt	334	66
Dividends payable	22	10
	550	312
Long-term debt (Note 7)	2,296	2,449
Other liabilities	125	135
Total liabilities	2,971	2,896
Equity		
Equity advances	660	660
Retained earnings	831	808
Accumulated other comprehensive income (loss)	(9)	-
Total equity	1,482	1,468
Total liabilities and equity	\$ 4,453	\$ 4,364

Commitments and contingencies (Note 8)

See accompanying notes

* As presented in the audited December 31, 2006, consolidated statement of financial position – refer to change in accounting policy note 3

Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended March 31	
	2007	2006
Net income	\$ 43	\$ 46
Other comprehensive income:		
Net losses on natural gas hedges in prior periods reclassified to net income in the current period	3	
Other comprehensive income	3	
Total comprehensive income	\$ 46	

Consolidated Statement of Accumulated Other Comprehensive Income (Loss)

<i>(in millions)</i>	(Unaudited) March 31 2007	December 31 2006
As at		
Accumulated other comprehensive income (loss), beginning of period (Note 3)	\$ (12)	\$ -
Other comprehensive income	3	-
Accumulated other comprehensive income (loss), end of period	\$ (9)	\$ -

Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended March 31	
	2007	2006
Operating activities		
Net income	\$ 43	\$ 46
Add (deduct) items not involving cash:		
Depreciation	54	48
Natural gas hedges market value gains	(16)	-
Natural gas hedges transitional market value losses reclassified to net income	4	-
Debt retirement fund earnings	(3)	(2)
Debt retirement fund market value losses	1	-
Defined benefit pension plan expense (credit)	2	(2)
Equity investment income	(2)	(1)
Other	1	1
Operating cash flow	84	90
Net change in non-cash working capital	(20)	(57)
Cash provided by operating activities	64	33
Investing activities		
Property, plant and equipment	(45)	(38)
Interest capitalized	(1)	(5)
Equity investment distribution	4	-
Cash used in investing activities	(42)	(43)
Increase (decrease) in cash before financing activities	22	(10)
Financing activities		
Proceeds from long-term debt	100	100
Repayment of long-term debt	-	(17)
Non-recourse debt - repayment	(1)	(1)
Debt retirement fund installments	(9)	(8)
Debt premium	4	5
Dividends paid	(10)	(22)
Cash provided by financing activities	84	57
Increase in cash	106	47
Cash and cash equivalents, beginning of period	20	65
Cash and cash equivalents, end of period	\$ 126	\$ 112

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2007

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*.

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Shand Greenhouse), and SaskPower International Inc. (SaskPower International). All inter-company transactions have been eliminated on consolidation.

2. Summary of Significant Accounting Policies

These unaudited interim consolidated financial statements (interim financial statements) do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

SaskPower's Saskatchewan electric sales to residential and commercial customers are seasonal with the first and fourth quarters being the strongest periods, reflecting colder weather and fewer daylight hours.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates include electricity sales not yet billed; carrying amounts of property, plant and equipment, underlying estimates of useful lives and related depreciation; carrying amounts of asset retirement obligations and underlying estimates of future cash flows; and carrying amounts of deferred pension costs and underlying actuarial assumptions. Actual results could differ from those estimates, which may impact the actual transactions and events reported in future periods.

The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements except for that noted in the Change in Accounting Policy Note 3.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2007

3. Change in Accounting Policy (in millions)

Effective January 1, 2007, SaskPower adopted the new Canadian Institute of Chartered Accountants ("CICA") Section 1530, "Comprehensive Income", Section 3251, "Equity", Section 3855, "Financial Instruments – Recognition and Measurement", Section 3861, "Financial Instruments – Presentation and Disclosure, and Section 3865, "Hedges". The following are the impacts of implementing these new standards prospectively in 2007.

SaskPower has classified all financial instruments into one of the following categories: 1) *held-for-trading*, 2) *held-to-maturity*, 3) *loans and receivables*, 4) *available-for-sale*, and 5) *other liabilities*.

Derivative financial assets and liabilities are classified as *held-for-trading* and recorded at fair value on the statement of financial position. The change in the market value (gain or loss) of the derivatives is recorded in net income and classified with the revenue/expense category to which they relate unless the derivative is designated as a hedge. If the derivative is designated as a hedge, the gain or loss is temporarily posted to other comprehensive income. The gain or loss will be reclassified into net income in the period that the derivative instrument is settled.

The Corporation discontinued its use of hedge accounting on its natural gas derivatives on December 30, 2006. In accordance with the transitional rules upon the adoption of the new standards, \$12 million of unrealized losses on the previously designated natural gas hedges at December 30, 2006, have been recorded in accumulated other comprehensive income (loss) and will subsequently be reclassified to net income as the contracts mature. These natural gas contracts will all mature by December 31, 2009. Changes in the market value of these natural gas derivatives since December 30, 2006 have been recognized directly in net income and included with fuel and purchased power costs as gains or losses.

The long-term debt has been classified as *other liabilities* and recorded at amortized cost. As such, the related debt premium and issue costs have been reclassified as part of the carrying value of the long-term debt and are being amortized using the effective interest rate method.

The debt retirement funds (sinking funds) have been classified as *held-for-trading* and as a result are recorded at fair value on the statement of financial position. The change in the market value has been recorded in finance charges. The debt retirement funds which were previously presented as a reduction of long-term debt have now been presented on a gross basis and are reported separately on the statement of financial position. The prior year comparative figures have been restated to conform with current year presentation.

Upon the adoption of the new standards, the impact of applying this change in accounting policy prospectively effective January 1, 2007 was as follows:

Adjustment to opening retained earnings (in millions)

As at January 1, 2007	Description	Increase / (Decrease)
Debt retirement funds	- market value adjustment	\$ 4
Total assets		\$ 4
Long-term debt	- effective interest rate method adjustment	\$ 2
Retained earnings, beginning of year	- net adjustment	2
Total liabilities and equity		\$ 4

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2007

3. Change in Accounting Policy cont'd (in millions)**Impact of reclassifications***(in millions)*

As at January 1, 2007	Increase / (Decrease)
Other assets - net deferred natural gas hedging loss	\$ (12)
Other assets - debt issue costs	(2)
Total assets	\$ (14)
Other liabilities - debt premium	\$ (11)
Long-term debt	9
Accumulated other comprehensive income (loss), beginning of year	(12)
Total liabilities and equity	\$ (14)

In addition, this change in accounting policy has increased net income in the first quarter of 2007 by \$11 million as a result of a \$12 million decrease in fuel and purchased power costs and a \$1 million increase in finance charges.

SaskPower selected January 1, 2003 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. As at March 31, 2007 and December 31, 2006, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives.

4. Electricity Trading (in millions)

<i>(in millions)</i>	Three months ended March 31	
	2007	2006
Electricity trading revenue	\$ 29	\$ 26
Electricity trading costs	29	26
Net sales from electricity trading	\$ -	\$ -

5. Fuel and Purchased Power (in millions)

<i>(in millions)</i>	Three months ended March 31	
	2007	2006
Coal-fired generation	\$ 43	\$ 41
Natural gas generation	31	17
Hydro generation	3	4
Purchased power	53	54
Imports	5	4
Natural gas hedges market value gains	(16)	-
Natural gas hedges transitional market value losses reclassified to net income	4	-
	\$ 123	\$ 120

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2007

6. Finance Charges (in millions)

<i>(in millions)</i>	Three months ended March 31	
	2007	2006
Interest on long-term debt	\$ 46	\$ 46
Less: interest capitalized	(1)	(5)
debt retirement fund earnings	(3)	(2)
debt retirement fund market value losses	1	-
interest income	(1)	(1)
	\$ 42	\$ 38

7. Long-term Debt (in millions)

On March 6, 2007, the Corporation, through the Saskatchewan Department of Finance (General Revenue Fund), borrowed \$100 million of long-term debt at a premium of \$4 million. The debt issue has a coupon rate of 4.75%, an effective interest rate of 4.494% and matures on June 1, 2040.

8. Commitments and Contingencies

SaskPower has various legal matters pending which, in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

9. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

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GLOSSARY OF TERMS

AECO C

A major Canadian pricing point for natural gas purchases.

Capacity

The greatest load that can be supplied by a generating unit, power station or an entire provincial grid system.

Cogeneration

The simultaneous generation of electricity and useful heat or steam. The heat could be put to use in an industrial process or to heat a facility or community. The electricity could be used by the owner or sold to SaskPower.

Gigawatt (GW)

A unit of bulk power; one billion watts or one million kilowatts.

Gigawatt Hour (GWh)

A unit of bulk energy; 1,000,000 kilowatt hours. One GWh is equivalent to the energy consumed by 125 typical houses in one year.

Kilowatt (KW)

A unit of bulk power; one thousand watts.

Kilowatt Hour (kWh)

A unit of bulk energy; 1,000 watt hours. The measurement is generally used for billing residential customers.

Load

The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)

A unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

Megawatt Hour (MWh)

A unit of bulk energy; 1,000 kilowatt hours. The unit generally used to describe the output of a commercial generator.

Midwest Independent Transmission System Operator (MISO)

The Midwest Independent Transmission System Operator, Inc. is a Regional Transmission Organization approved by the Federal Energy Regulatory Commission. Utilities from Manitoba to Kentucky participate in the MISO.

Peak Load Demand

The maximum amount of electric power or energy consumed by a particular customer or group of customers at a precise time.

Transmission

Process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.

Watt (W)

The unit of measurement of electrical power.

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